RESPONDING TO CLIMATE CHANGE

Responding to climate change is one of the world's biggest challenges. In support, Sasol is committed to reducing its overall impact on the environment, while developing and implementing an appropriate climate change response to enable the long-term resilience of the company's strategy and business operations. Sasol reiterates its support for the Paris Agreement and recognition of the national circumstances of the countries where we operate, particularly the developing country context of South Africa, where our largest emissions base exists.

The Paris Agreement is an agreement with the United Nations Framework Convention on Climate Change (UNFCCC) focusing on greenhouse gas (GHG) emissions mitigation, adaptation and finance starting in the year 2020. The agreement has a long-term goal of keeping the increase in global average temperature to below 2°C above pre-industrial levels, as this is anticipated to significantly reduce risks and the impacts of climate change. As a South African-based company, we are of the view that an agreement that provides assurance to all can only be delivered through an international, multilateral, rule-based process such as the UNFCCC, whereby environmental integrity is maintained with the ability to trade fairly.

The Paris Agreement entered into force on 4 November 2016 and has now been ratified by 178 of the 197 country signatories (as of 31 January 2018), including South Africa. Noteworthy is the fact that the agreement was ratified within one year of being concluded. The agreement binds signatories to develop and implement policies, strategies, and action plans for timely and successful achievement of their Nationally Determined Contributions. This includes reporting regularly on their emissions and implementation efforts. In South Africa, recent regulatory advances have been made in support of the Paris Agreement with the publication, for comment, of the draft Climate Change and Carbon Tax Bills and promulgation of the Pollution Prevention Plan and GHG Mandatory Reporting regulations. In this regard, Sasol submitted its GHG inventory data for South Africa in compliance with the regulations and successfully obtained approval for its first mandatory Pollution Prevention Plan.

Environmental sustainability – governance of a top risk

Accountability for climate change management rests with Sasol's Group Executive Committee (GEC), which receives advice and assistance from various governance structures, functions and specialists in the Company. The GEC, which comprises Sasol's executive management (Executive Vice Presidents), co-chaired by the Joint Presidents and Chief Executive Officers, guides environmental and climate change management and coordinates development of objectives, targets and projects in this area. Formalised governance structures, including a focused Climate Change and Environmental Policy Committee (CCEP), are in place to address climate change challenges and other environmental issues facing the Group. In addition, the company has appointed a new non-Executive Board member, Muriel Dube, who has sustainability and climate change experience. Climate change management being a top risk for the Group is reported to the Board and through their obligations from a strategy perspective considers climate change issues within the context of:

- determining and setting the requirements for Sasol as a responsible corporate citizen, which includes assessing and responsibly responding to the negative consequences of Sasol's activities and outputs in terms of economy, society and the environment in which it operates and the capitals it uses and affects; and
- setting direction on Sasol's risk management and strategy, including taking account of risks and opportunities that the Company may be exposed to.

Accordingly, Sasol has identified environmental sustainability as one of our top risk events which includes climate change amongst other key issues. Effective management of our climate change related risks is an important part of our commitment to long-term stakeholder value. Sasol's Enterprise Risk Management (ERM) process enables that climate change risks are systematically identified, assessed, considered and managed.

This approach delivers risk profiles at Group and operating model entity (OME) level and uses a standard materiality assessment matrix to analyse climate change risks in terms of probability and impact (e.g. financial impact and reputational damage).

Furthermore, Sasol makes use of the bow-tie methodology for exploring, analysing and identifying controls for climate change related risks. We determine our Group top risk events through a review process that analyses the risks facing both the Group and OMEs, in relation to Sasol's near-to-medium-term strategy, longer-term aspirations and top priorities and in the context of the internal and external environment. Being a group top risk event, climate change developments are monitored and tracked on at least a quarterly basis and are focused on the short, medium and long term (more than six years). The following risk drivers have been identified to inform our measurement and related reporting on this risk:

- Emerging regulation in the countries where we operate.
- Current regulations in the countries where we operate;
- Technology advances.
- Legal issues as applicable to Sasol.
- Market issues and societal pressure.
- Reputational issues.

Sasol is aware of the increased stakeholder need for and focus on greater disclosure of specific climate change risks as a first step to address potential changes to the business strategy in light of these risks. The company, through its Board and management, remains focused on managing the risks associated with climate change, driving the long-term sustainability of our operations, ensuring the competitiveness of our products and adapting to the effects of climate change. Sasol further recognises the need for more clearly articulating its approach for assurance purposes and we support ongoing dialogue with key stakeholders to meaningfully contribute to Sasol's climate change disclosure processes.

Committed to improved reporting and disclosure

In October 2017, Sasol approved the progressive advancement of company specific climate change disclosure objectives aligned to the Task Force for Climate-Related Financial Disclosure (TCFD) principles and guidelines. These disclosures support Sasol in providing the necessary assurances on its management of climate change as a material matter and top risk event for the Company. These disclosures aim to provide sufficiently accessible and recent information regarding Sasol's climate change activities.

The TCFD principles align closely with the Guiding Principles developed by the Climate Disclosure Standards Board (CDSB) in its framework for reporting environmental information and natural capital which Sasol has been aligned to since signing to the We Mean Business Responsible Reporting Initiative. This framework is designed to guide organisations through translating and presenting climate-related information in mainstream reports. In a South African context, these principles are also entrenched in the King IV Code on Corporate Governance which are also incorporated in Sasol's disclosure and reporting processes.

Climate change disclosures, either through the CDP[1] or annual reporting, are currently undertaken voluntarily and in an inconsistent level of detail, therefore, companies are facing growing expectations from key stakeholders to communicate more in particular on their climate risk exposures. Sasol has identified environmental sustainability as a group top risk event, including climate change management, and through measuring and reporting against this risk, is able to proactively and appropriately make disclosures of the challenges faced. As such the Sasol approach towards disclosure according to the TCFD guidelines provides stakeholders with information on our governance, strategy, business risks and opportunities as well as impacts of climate change.

Sasol is a long standing participant in the CDP process, which has incorporated and aligned to the TCFD. In this regard, we have been disclosing consistent with most of the TCFD recommendations already but remain committed to enhance our disclosures with global initiatives in mind.

Sasol has been listed on the ClimateAction100 initiative, launched by President Macron of France, as one of the top 100 largest corporate GHG emitters that investors will engage with over a five-year period. The investor-led initiative is focused on ensuring corporates improve governance on climate change, curb emissions and strengthen climate-related financial disclosures as part of mainstream reporting. To date, 289 investors with nearly USD30 trillion in assets under management have signed up to the initiative. In this regard, it is our view that Sasol's commitment to enhanced transparency and disclosure aligned to TCFD will assist in providing the necessary assurance that climate change related risks are being adequately being addressed. Sasol has already been contacted by key global and national investors and continues to actively engage in dialogue with these all investors.

This year Sasol engaged with shareholders regarding a proposed shareholder resolution requiring a separate Climate Change Report to be developed and published in August 2019. Sasol supports this objective and confirmed its intent to publish a Climate Change Report in August 2019, which by and large aligned with key areas included in the proposed resolution. Accordingly, the report will aim to include an update of Sasol's climate change scenario work, an overview of the activities to manage risk and opportunities relating to climate change; an overview of its adaptation strategy and our view of long term GHG targets and internal fiscal instruments. Sasol believes that oversight of this process through its governance structures, including Board sub-committees, sufficiently provides for independent views through representation of external, non-executive directors in these structures.

Climate change issues have informed our strategy

Sasol's vision is to be a leading integrated global chemical and energy company, proudly rooted in our South African heritage, delivering superior value to our stakeholders. Our value-based growth strategy has been developed by leveraging our core strengths in response to global megatrends, one of which is climate change. Sasol utilises scenario analysis which informed and influenced our long-term strategy.

As part of our value-based growth strategy, climate change considerations influenced Sasol's decision to no longer consider investments in greenfield coal-to-liquids (CTL) and gas-to-liquid (GTL) facilities, and further increasing Sasol's current crude oil refining capacity. Sasol will therefore focus on lower carbon intensive value-based growth through:

- expanding our specialty chemicals business;
- growing our exploration and production portfolio, including securing additional natural gas for our South African operations, and potentially aiding in the decarbonisation of the Southern Africa electricity sector; and
- expanding our fuels retail footprint.

Sasol's foundation business in South Africa will continue to utilise coal as its primary feedstock. We will, however, manage our risk exposure to climate change by continuing to incrementally reduce our emissions profile by:

- improving the carbon and energy efficiency of our processes thereby reducing GHG and energy intensity;
- increasing the use of natural gas, where such alternatives are available and feasible;
- researching the potential for offsetting GHG emissions in Southern Africa, which could include renewable energy and community energy usage programmes; and
- monitoring and influencing the development of carbon capture and storage (CCS) as a long-term solution.

Sasol is physically impacted by climate change

Sasol is not only an emitter of GHGs, we are also vulnerable to the impacts of climate change and have undertaken work to better understand our climate change exposure for our people and operations.

Through an analysis of the impacts of climate change on our operations, we are taking steps to ensure that we are resilient to these impacts which include increased flooding from heavy rains, rising sea levels, extreme weather events such as hurricanes and tornadoes and heat stress in some regions where we operate. In this regard, Sasol is advancing work in developing an adaptation strategy for the identified key priority regions such as Lake Charles, Secunda and Sasolburg.

Climate change presents some opportunities

Climate change introduces risks and uncertainties for businesses and society. However, it also presents opportunities. The chemicals we produce from our growing portfolio has an essential role to play in reducing carbon intensity and improving global sustainability. For example, some of Sasol's high purity alumina is used in LED lighting systems, which are significantly more efficient than conventional incandescent light bulbs, while Sasol's speciality alcohols are used in cleaning formulations for cool or cold water, resulting in lower overall energy consumption when compared to detergents requiring higher water temperatures.

Reducing our emissions

An integrated approach to climate change risk management means we are also taking the necessary action to reduce our emissions. We have been reporting on our reduction efforts for many years and continue to pursue options for further reductions.

We recognise the importance of the role of gas in South Africa's energy mix and the country transitioning to a lower carbon trajectory, with Sasol continuing to be focused on building on our existing gas successes in Southern Africa. This was explicitly framed by our response to the climate challenge and the move towards lower-carbon energy alternatives.

We have limited additional mitigation opportunities in the short term (given that big investments in fuel switching and gas-based energy generation have already been made) and therefore efforts to monitor and influence renewable and CCS technological and institutional developments represent an important component of our long-term strategy towards 2050. We also continue to undertake research and development on GHG related issues and technologies. The front-end studies range from topics that could benefit specific OMEs (like new chemical technologies and advanced materials) to more general topics (like carbon sequestration, renewable energy, water and the circular economy) that will be important to the Group for the long term.

The possibility of a carbon tax and planned mandatory carbon budgets in South Africa demands an increased level of accuracy in our GHG emissions accounting and reporting. Therefore, we continue to refine our GHG emission baselines and enhance our disclosures. Sasol is currently involved in the pilot carbon budget process in South Africa for the period 2016 to 2020 which has been adopted as our South African internal short term GHG target. Over the past two calendar years (2016 and 2017) we emitted approximately 115 million tons of carbon dioxide equivalents (Mt CO_2e) of our carbon budget limit of 302Mt CO_2e to 2020. Current projections indicate Sasol is on track with its budget having used 38% of the budget in 40% of the time.

Our international operations are less carbon intensive and have been operating in a more mature GHG regulatory regime for a period of time already. We have therefore not set GHG targets for these operations. However, continued political attention to issues concerning climate change, and potential mitigation through regulation, could have a material impact on our business over time.

Notwithstanding our efforts to reduce our impact on the environment, in the context of South Africa the fact remains that the country has limited access to lower-carbon energy alternatives. As such, we remain a carbon intensive company, albeit a company that is focused on improving its overall sustainability profile.

Stakeholder engagement

Sasol's highly energy-intensive operations exist largely in South Africa in the midst of rapidly evolving national legislation on GHG emissions. In this regard, the CCEP includes a stakeholder engagement track which specifically looks at an engagement strategy and approach that involves categories of stakeholders to engage at various levels on different matters for example on carbon tax, budgets and the proposed South African draft Climate Change Bill. The roadmap is a plan to effectively identify and engage key stakeholders to collaborate with on policy and regulatory development.

Promoting energy efficiency

We have a long-standing commitment towards promoting energy efficiency (EE) as a key business driver. We strive to continuously improve the EE of all our manufacturing in support of asset integrity. We do this through maintenance strategies, saving operating costs and by containing and reducing the environmental footprint of our operations. We also do this to support national energy conservation initiatives and governmental objectives. This commitment was reconfirmed by Sasol signing to the global Energy Productivity 100 (EP100) initiative to advance our energy efficiency activities. The energy cost of our South African Operations is significantly below the energy inflation rate as a result of our energy efficiency improvements.

The draft South African National Energy Efficiency Strategy for 2030 sets a national objective of a 15% improvement relative to the 2015 baseline by 2030, which relates to a 1% annual improvement for industry. Sasol supports the 1% annual energy efficiency improvement target and has set an objective to exceed a 15% improvement by 2030 in addition to the 16,6% improvement under the Energy Efficiency Accord. This target also forms the basis for our EP 100 commitment up to 2030.

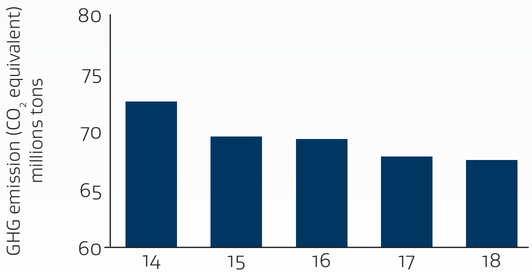
In South Africa, we participate in energy efficiency tax incentive schemes aimed at the implementation of energy efficiency projects and initiatives, of which there are currently eight tax certificates registered with the South African National Energy Development Institute (SANEDI). These initiatives relate to assessments from 2014 – 2018. The eight SANEDI certificates to the value of R9,8 billion have been issued and claimed in Sasol South Africa's tax returns.

The new EE reporting programme that is being implemented for Sasol's global operations is in line with internationally accepted best practices, expected requirements from the South African Department of Energy and supports other latest Sasol operating model.

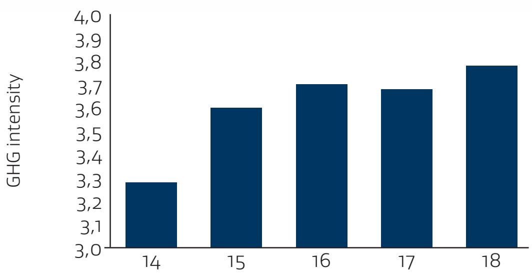
Our carbon footprint

- We report our GHG emissions consistent with the recommendations of the Intergovernmental Panel on Climate Change (IPCC). Our total GHG emissions for all operations globally is slightly lower at 67,4 million tons for 2018 when compared to 67,6 million tons in the prior year.
- This figure includes direct emissions associated with our processes and our own road tanker fleets (Scope 1 emissions), as well as the indirect emissions associated with our electricity imports (Scope 2 emissions).
- Our GHG emissions intensity (measured in carbon dioxide equivalent per ton product - external sale) is higher at 3,78 compared to 3,66 in 2017. This is due to the decrease in product – external sale[2] as a result of external electrical infrastructure failures.

GHG emissions



GHG intensity



[2] The definition of product – external sale differs from Total Production reported in the annual financial statements. The boundaries of this figure only includes product that is destined for sale to Sasol customers, and does not include product utilised or sold between the Sasol group of companies.